

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4741-03
Bill No.: SB 788
Subject: St. Louis County; Taxation and Revenue - Sales and Use
Type: Original
Date: February 23, 2016

Bill Summary: This proposal requires the municipalities in St. Louis County sales tax pool receive at least 50% of the revenue generated inside a given municipality.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--------------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue | (\$168,854) | \$0 | \$0 |
| Total Estimated Net Effect on General Revenue | (\$168,854) | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| Local Government* | \$0 | \$0 | \$0 |

* No net fiscal impact to local governments in St. Louis County.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this alters how the Department of Revenue distributes local sales taxes to municipal governments in St. Louis County. This proposal would not fiscally impact General and Total State Revenue. B&P defers to Department of Revenue for any programming or administrative costs.

Officials at the **Department of Revenue (DOR)** assume that beginning January 1, 2017, if revenue is less than that collected in 2014, the DOR distributes to all Group A and B cities, towns, and villages a portion of taxes based on the formula in Subsection 66.620.4. Beginning January 1, 2017, if sales tax revenues are equal to or greater than that of 2014, the Department distributes to Group A cities, towns, and villages, based on the location where the sales are consummated under Section 66.630 and Subsection 32.087.12 based on the formula in Subsection 66.620.5. Once the Department distributes funds to Group A entities, it must distribute funds to Group B entities following guidelines in Subsection 66.620.5.

DOR's Sales Tax Division will require change in the distribution to Group B cities in St. Louis County to ensure each city receives no less than 50 percent of the tax generated within that city, rather than relying solely on the distribution from the pool. Currently, St. Louis County takes care of the distribution, so unless they agree to continue to perform this action, the Department will need to completely establish the distribution for Group B cities.

DOR's Integrated Tax System would need changes resulting in a cost of \$168,854.

Officials at the **St. Louis County** assume this would cost the county \$200,000. The cost would be due to computer reprogramming. Additionally, this would result in a loss of \$1.5 million annually due to the redistribution of the tax.

Oversight assumes this proposal would have no net effect on local governments although individual cities may receive more or less revenue than is the case under current provisions.

Oversight assumes this proposal requires the DOR to distribute sales tax collections, therefore the cost cited by St. Louis County has not been included in this fiscal note, and the computer programming cost cited by the DOR is included in this fiscal note.

Officials at the **Joint Committee on Administrative Rules** and the **Office of the Secretary of State** each assume there is no fiscal impact from this proposal to their respective agency.

| <u>FISCAL IMPACT - State Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|---|---------------------------|-------------------|-------------------|
| GENERAL REVENUE FUND | | | |
| <u>Cost - DOR</u> | | | |
| Computer programming | <u>(\$168,854)</u> | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(\$168,854)</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|--|---------------------|---------------------|---------------------|
| LOCAL GOVERNMENTS | | | |
| <u>Additional Revenue</u> - some cities in St. Louis County may receive additional sales tax revenue | \$ Unknown | \$ Unknown | \$ Unknown |
| <u>Revenue Reduction</u> - some cities in St. Louis County may receive less sales tax revenue | (\$ Unknown) | (\$ Unknown) | (\$ Unknown) |
| <u>Revenue Reduction</u> - St. Louis County may receive less sales tax revenue | <u>(\$ Unknown)</u> | <u>(\$ Unknown)</u> | <u>(\$ Unknown)</u> |
| ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

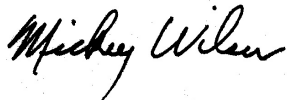
FISCAL DESCRIPTION

Currently, the revenues from a 1% sales tax in St. Louis County are distributed to unincorporated areas of the county as well as municipalities based on a formula. What are commonly called "Group B" entities pool their revenue from the tax. After a diversion to account for incorporation of previously unincorporated areas, revenues are generally split amongst the municipalities and unincorporated areas of the county in Group B by population, regardless of where the tax was collected. This act requires that beginning January 1, 2017, municipalities and the unincorporated areas of the county in Group B receive at least 50% of the tax revenue generated in such municipality or unincorporated area of the county. However, such new formula shall not apply in any year where the total amount of sales taxes collected in the county is less than the amount collected in calendar year 2014.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Office of the Secretary of State
St. Louis County



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Director
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February 23, 2016